

definitely determines the ascendancy of the gold franc and solves practical difficulties arising from the double standard." The Latin Union, so far from establishing bimetallism, adopted the gold franc as the standard because gold was then the money of general circulation within the countries of the Union. The mints continued open to the free coinage of both metals, but silver was not offered on private account for coinage into five-franc pieces at the legal ratio, any more than gold would be offered at the present day in a country where silver at the old ratio was the common medium of circulation.

It was because the ratio tilted backwards to a higher bullion value for gold and a declining value for silver that the aspect of the monetary problem was reversed and that the purpose of the Latin Union has come to be misunderstood. The members of the union from the outset, however, have done no more than seek to maintain the circulation of silver by limiting its coinage. Silver first dropped below par in 1867, when the commercial ratio of gold to silver was 1 to 15.57, but it was not until 1873, when the quotation was 1 to 15.92,* that it began to be noticed that an excessive quantity of silver was being minted and that gold was disappearing from circulation. The problem was complicated by the fact that France, Italy, and Greece were under the *regime* of paper money, leaving only Belgium and Switzerland in full enjoyment of the bimetallic coinage system. The latter

¹ The statement of these differences in the terms of the ratio makes them look much more trifling than is really the case. Stated in terms of percentage, the depreciation of silver in 1867 was a little less than one-half of one per cent (0.45) and in 1873 ^{was} 2.7 per cent of the par value. The depreciation in 1872 was 0.97 per cent. It is interesting¹ to note that the changes prior to 1873 took place, and that their effect was visible in the bullion offerings at the mints, before the adoption of the gold standard in Germany or the United States or the limitation of coinage by the Latin Union. The depreciation of nearly one per cent, in 1872 was sufficient to afford a large profit on bullion operations, in view of the fact that the usual element in such computations— the time consumed in earning interest—did not need to be considered.